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Versant-Backed Inception Sciences Creates Eye-Drug Startup With Bayer Healthcare

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Versant Ventures and its Inception Sciences Inc. incubator have teamed up with Bayer Healthcare to launch an ophthalmology-drug startup that Bayer will have the option to acquire once the new company reaches certain milestones.

The startup, Inception 4, plans to develop small-molecule drugs for eye diseases, such as the wet form of age-related macular degeneration and geographic atrophy. If Bayer exercises its option it will buy Inception 4 at an undisclosed, pre-negotiated price.

This is the second "build to buy" program Versant has created through Inception Sciences, a drug-discovery incubator formed in 2011. Last year the firm worked with Roche Holding Ltd. to create Inception 3, which is developing treatments for sensorineural hearing loss. Roche has the option to buy Inception 3 once a lead compound is ready for an investigational new drug application, the filing needed for clinical trials to begin.

Teaming up with a corporate acquirer at the outset gives the firm a clear path to an exit. Versant has also used this approach outside of Inception. Two years ago Versant-backed QuanticeL Pharmaceuticals Inc. secured a \$45 million funding commitment from Celgene Corp. and gave that company an equity stake and a buyout option.

Other venture-backed companies have also been striking these types of deals as they look to share risks and put themselves on a path to liquidity. In October 2012, VentiRx Pharmaceuticals Inc.-- whose backers include ARCH Venture Partners, Domain Associates, Frazier Healthcare and MedImmune Ventures -- said it had partnered with Celgene and given the company an acquisition option.

Inception's build-to-buy model is also designed to lower risks for corporate partners, enabling them to expand in a market or move into a new one without building up their own operations. With the success of companies such as Regeneron Pharmaceuticals Inc., developer of the blockbuster macular-degeneration therapy Eylea, pharmaceutical companies have become increasingly interested in ophthalmology. Since many of them don't have their own ophthalmology- discovery capabilities, acquiring products from the outside appeals to them, according to Versant Managing Director Brad Bolzon.

Bayer said it's expanding its research in ophthalmology and that it has other research efforts underway in retinal diseases in addition to this collaboration.

Inception, which specializes in small-molecule drug discovery through sites in [San Diego and Canada](#), launches startups around research identified from academic groups. It built Inception 3 around technology from Stanford University. The academic sources for Inception 4 weren't disclosed in a press release.

Versant formed Inception after selling portfolio company Amira Pharmaceuticals Inc. to Bristol-Myers Squibb Co. Peppi Prasit, Amira's former chief scientific officer, is Inception's chief executive.

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